I. Background

1. At its annual session in 2007, the Executive Board in its decision 2007/28 requested UNDP and the United Nations Capital Development Fund (UNCDF) to "finalize the details of their strategic partnership in time to present a report on this partnership to the first regular session 2008, particularly with respect to: (a) integrating the UNCDF contribution into the UNDP strategic plan, 2008-2011; and (b) achieving the strategic and operational objectives of the partnership, as outlined in document DP/2007/11".

2. Furthermore, the Board reiterated its request that UNDP and UNCDF "continue their efforts to secure stable programme funding for UNCDF activities", and requested UNDP and UNCDF to "complete their consultations on appropriate funding strategies and programming arrangements, and to present a detailed proposal to the Executive Board at its second regular session 2007".

3. The Board also stressed the need to "strengthen the financial situation of UNCDF", and reiterated its call to donor countries, and other countries in a position to do so, to "provide and sustain additional funding support for UNCDF programmes and activities in the least developed countries".

4. Finally, the Board requested UNCDF to "inform the Executive Board of its cost-recovery policy, and to report to the Board on this policy at its first regular session 2008".

5. At its second regular session 2007, the Board requested UNDP, in its decision 2007/34, to "provide UNCDF, on an exceptional basis, with the amount of $6 million for 2008, and to increase efforts to work with UNCDF to provide it with stable programme resources by supporting joint programmes with UNCDF at country, regional and global levels," and reiterated the request to UNDP and UNCDF to "present a plan containing detailed proposals to this end for discussion at the first regular session 2008".

II. Strategic partnership with UNDP

6. In January 2007, UNDP and UNCDF presented, in document DP/2007/11, the overall aim and strategic and operational objectives of the UNDP-UNCDF strategic partnership. As indicated then, "the overall aim of the strategic partnership is to bring UNDP and UNCDF more closely together, to result in: (a) significant improvements in the efficiency, effectiveness and coherence of both organizations; (b) enhanced developmental impact of both organizations in the least developed countries (LDCs) and other developing countries; (c) more predictable, stable funding for UNCDF investment activities in the LDCs; (d) more equitable burden-sharing among Member States; and (e) greater coherence, simplicity, and harmonization within the United Nations system".

7. Over the course of the past year UNDP and UNCDF have worked together towards finalizing the details of this strategic partnership, undertaking specific actions to achieve each one of the strategic and operational objectives. As outlined in detail in this section, most objectives had been achieved by the time of the preparation of the present document. UNDP and UNCDF have also already issued a joint guidance note for UNDP country offices and regional bureaux to inform them of the agreements reached. Outstanding actions are within the management scope of the two organizations and scheduled to be completed in the coming six to 12 months, apart from issues dealing with financial alignment, which will be discussed in further detail in the next section and may require a decision by the Executive Board.

A. Strategic objectives

Strategic objective 1. Achieving programmatic synergies based on the comparative advantages and value added by each organization

8. The strategic plan for 2008-2011, approved by the Executive Board on 8 October 2007, forms the joint strategic planning framework for both UNDP and UNCDF for the period 2008-2011. It reflects the UNCDF contributions as an integral part of the strategic plan, and notes the specific contributions that UNCDF makes through its two areas of focus – microfinance and local development – to achieving the first three goals of the strategic plan related to poverty reduction and achievement of the Millennium Development Goals, democratic governance, and crisis prevention and recovery.

9. In order to enhance accountability for the joint results of both organizations, UNDP and UNCDF have formulated joint development outcomes and outcome indicators to measure the results of their interventions undertaken within the framework of the strategic plan. The final version of the development results framework, to be submitted to the Board at its annual session 2008, will provide details of the country-level development outcomes to which UNDP and UNCDF are jointly providing support. The draft development results framework forms therefore a crucial reference for the development of complementary monitoring and reporting systems that will enable both organizations to improve their performance systematically and to prepare input for the strategic plan report. UNCDF will continue its current practice of preparing a results-oriented annual report with performance information on UNDP-UNCDF joint programmes against a more detailed and refined set of outcome and output indicators.

10. Similarly, UNDP and UNCDF are collaborating towards adjusting and further harmonizing their current institutional results framework, which measures the management results of the two organizations during the strategic plan period. Lastly, two indicators related to UNCDF have been included in the results framework prepared as part of the biennial support budget, 2008-2009.

Strategic objective 2. Achieving greater efficiency and effectiveness of joint programmes with UNDP and joint programming within the United Nations system

11. UNDP and UNCDF have agreed that in the LDCs in which UNCDF is operational its contributions in its two practice areas will be integrated into the United Nations programming frameworks agreed upon with national governments such as the United Nations Development Assistance Framework (UNDAF), and in the UNDP country programme action plan. Further, joint programmes, prepared with guidance from the United Nations Development Group (UNDG), will be the primary modality whereby UNDP and UNCDF work together at the country level towards achieving the results outlined in the UNDAF results matrix.

Strategic objective 3. Sharing knowledge on good practices in microfinance and local development for the benefit of programme countries, through UNDP and the United Nations country teams (including those not in LDCs)

12. The two organizations are in the process of preparing and adopting joint policy statements and strategies to support the implementation of the strategic plan. In the area of microfinance, UNCDF will continue to function as the UNDP policy advisor on microfinance, in line with the UNDP microfinance policy, which covers both LDCs and non-LDCs. Further, the UNDP private sector strategy finalized in September 2007 provides an integrated analytical framework for UNDP private sector work and makes clear links to UNCDF activities in building inclusive financial sectors and in local economic development. In the area of local development, a joint UNDP-UNV-UNCDF working group is presently reviewing coherence among the local development activities that, in a

transversal way, are reflected in all four goals of the UNDP strategic plan, 2008-2011. The results of those discussions will be used to determine appropriate modalities for use by UNCDF technical experts in local development in non-LDCs. Joint results reporting and joint evaluations, underpinned by the joint UNDP evaluation policy approved by the Executive Board in its decision 2006/20, will permit UNDP and UNCDF to capture systematically the lessons learned in supporting jointly formulated development outcomes in a far more systematic way than has so far been the case.

Strategic objective 4. Contributing to ongoing simplification and harmonization efforts among United Nations organizations as part of United Nations reform and follow-up to the Paris Declaration on Aid Effectiveness

13. The closer strategic partnership between UNDP and UNCDF should be seen within the larger context of ongoing simplification and harmonization, and of increased joint policy formulation, programming and knowledge sharing within the United Nations system. UNDP represents UNCDF in UNDG, and UNCDF adheres to UNDG decisions applicable to all United Nations development organizations. UNCDF and UNDP together promote the application of the Paris Declaration on Aid Effectiveness at the country level through joint programmes that support national programmes for decentralization and local development, and national strategies for inclusive financial sectors. At the global level, UNCDF represents UNDP in the Consultative Group to Assist the Poor – the donor group on microfinance – while UNDP and UNCDF both participate in the recently established donor group on decentralization and local governance.

B. Operational objectives

Operational objective 1. Clarifying respective roles and functions to support the strategic objectives, especially at the regional and country office levels.

14. UNCDF regional and country office staff are co-located with UNDP regional service centres and UNDP country offices. UNDP and UNCDF have agreed that the UNCDF personnel should be viewed as important members of the regional service centre and country office teams, and that they should be integrated into the management, operations and work flow in the offices where they are located to the greatest extent feasible consistent with their roles, responsibilities and capacities. The dual reporting lines of UNCDF staff will be duly recognized in their job descriptions.

Operational objective 2. Assuring management, operational and financial alignment with UNDP, including maximizing UNCDF participation in all appropriate UNDP planning and management frameworks and systems and the facilitation of effective resource mobilization.

15. UNCDF reports to the UNDP/UNFPA Executive Board through the Administrator. Further management alignment between UNDP and UNCDF is achieved through the integration of the UNCDF contributions in the strategic plan, thus harmonizing the overall planning and management framework. The joint implementation of the plan is supported through the direct reporting line that exists from the Executive Secretary of UNCDF to the UNDP Associate Administrator. The Executive Secretary participates in UNDP Senior Management Team retreats and relevant internal UNDP meetings, as appropriate.

16. Operationally, UNCDF is aligning itself to the extent possible with the evolving UNDP accountability framework, in terms of (a) the principles guiding the accountability framework; and (b) the operational policies, processes and accountability instruments. At the same time, UNCDF is making every effort to document those instances in which, for business reasons, UNCDF operational policies, processes and instruments differ from those of UNDP. UNCDF relies on UNDP for a broad series of high-quality, timely services, which UNDP provides on a fully reimbursable basis using its own policies and procedures.

17. Over the last few years, UNCDF has made considerable progress in ensuring financial alignment with UNDP and working with UNDP to facilitate effective resource mobilization. Since 2006, the UNCDF administrative budget has been integrated in the UNDP biennial support budget. This has resulted in a more equitable burden-sharing among development partners for this part of the UNCDF budget. Collaboration on joint other ('non-core') resources mobilization has improved, especially at the country level, resulting in a rapid increase in the amount of other resources mobilized for joint programmes and in the use of the pass-through funding modality. This funding modality provides a simple way for development partners to support complementary programme priorities while ensuring that the unique investment mandate of UNCDF is clearly delineated and protected. At the global level, the greater clarity of the UNDP role in terms of joint resource mobilization for joint UNDP/UNCDF development results has facilitated the growth in joint partnerships with new development partners.

III. UNCDF programming and funding arrangements, 2008-2011

18. As referred to above, the UNDP biennial support budget includes $5 million per year, under function 17, to cover the costs of the basic UNCDF headquarters structure. In terms of regular resources funding for programmes, UNDP and UNCDF have jointly established a target of $25 million per year for the period 2008-2011 to permit implementation of the UNCDF investment plan. In collaborating towards achieving this target, UNDP and UNCDF strive to obtain more predictable, stable funding for UNCDF investment activities in the LDCs, and more equitable burden-sharing among Member States. This chapter provides further details on the steps that are proposed to achieve this target.

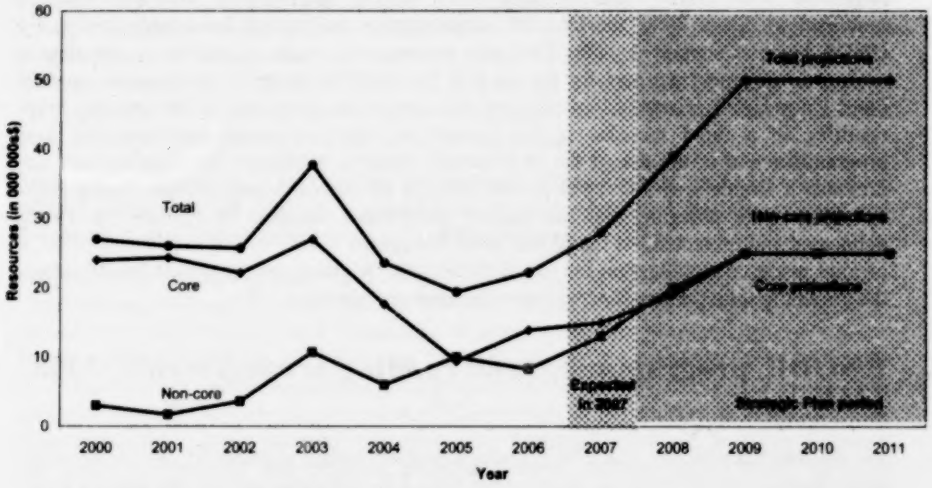
UNCDF programme funding during the business plan period (2005-2007)

19. In its business plan, 2005-2007, UNCDF presented an ambitious plan to respond to the demand of LDCs for its technical support and investments by increasing the number of LDCs which it would support by 2010 to 40 LDCs for local development and 25 LDCs for inclusive finance. To facilitate this growth in LDC coverage, regular resources funding was planned to be around $18 million and non-core resources $33 million, on average, per year.

20. Overall, UNCDF has been quite successful in expanding its total portfolio. By the end of 2007 UNDP and UNCDF are expected to have approved joint programmes in local development in 31 countries and in microfinance in 15 countries, with many of the new programmes being in the start-up phase. This expansion in programming has been achieved while maintaining the excellent performance on the existing portfolio of programmes, as documented in the 2006 results-oriented annual report.

21. The regular and other resources mobilization targets contemplated in the 2005-2007 business plan have, however, been only partially achieved. As table 1 indicates, total contributions to UNCDF resources (regular and other) increased from $19.6 million in 2005 to $22.0 million in 2006 and are expected to pass the $25 million mark in 2007. The growth between 2005 and 2007 reflects both an increase in the number of donors contributing regular and other resources to the Fund and increased contributions from existing donors.

Table 1. UNCDF regular and other resources: trend and projections



UNCDF investment plan, 2008-2011

22. The UNCDF investment plan, 2008-2011, summarized in table 2, provides the initial basis for UNCDF estimates of regular resource requirements during the strategic plan period. The investment plan contemplates investment of regular resources of approximately $25 million per year, to permit coverage of 45 LDCs by 2011, and average investment per year out of regular resources of approximately $450,000 per LDC. It responds to the increased attention paid to local development and access to financial services in UNDAFs and to the increased demand by LDCs and UNDP country offices for UNCDF technical advisory support and investment in these two areas. This seems a reflection of the comparative advantage of UNCDF in the areas of local development and inclusive finance, both in terms of its recognized technical expertise and its track record of achieving results.

Table 2. Summary of the UNCDF investment plan, 2008-2011 (regular resources)

	2008 (in dollars)	2009 (in dollars)	2010 (in dollars)	2011 (in dollars)
Total Africa (27 LDCs)	12,712,585	13,078,784	12,980,144	12,700,000
Total Asia (13 LDCs)	4,182,500	4,452,750	3,717,500	3,292,000
Total Arab States (4 LDCs)	2,074,350	2,277,150	1,976,400	1,644,900
Total Latin America (1 LDC)	650,000	800,000	800,000	500,000
Regional support	3,302,500	3,321,500	3,440,540	3,460,136
Global and research & development	2,427,222	1,854,211	1,705,263	1,850,000
Grand total (45 LDCs)	**$25,349,157**	**$25,784,395**	**$24,619,847**	**$23,447,036**

23. This investment plan reflects an investment scenario that can – in view of current country level demand and the capacity of UNCDF to respond – be realized if the current upward trend in regular and other resources contributions to UNCDF continues in the 2008-2009 period, with both of them reaching a level of about $25 million per year in the second half the strategic plan period (see table 1). UNCDF will revise its investment plan unless funding support at the level indicated is forthcoming from donor Member States and other non-traditional development partners. Two alternative investment scenarios have been elaborated, each based on progressively lower levels of UNCDF regular resources and corresponding reductions in LDC country coverage and investment per country. The countries most affected will be those scheduled to have new programmes formulated in the 2008-2009 period as part of the UNCDF expansion plan.

Proposed UNCDF funding and programming arrangements, 2008-2011

24. UNDP and UNCDF have conducted consultations on programming and funding arrangements since the annual session 2007 of the Executive Board. UNDP and UNCDF agreed that UNCDF programming and funding arrangements should permit increased stable, multi-year funding for UNCDF while improving burden-sharing. Using the estimated $15 million in 2007 regular resources contributions as the basis, UNCDF would require a further $10 million annually to implement its investment plan.

25. In the context of the strategic plan, UNDP and UNCDF agree that the most appropriate programming and funding model for UNCDF programmes in the LDCs would mirror the funding model used to fund UNDP and UNCDF joint programmes at the country level. As indicated in chapter II described out in greater detail in annex 1, joint programmes will be the primary modality for UNDP and UNCDF to work together at the country level. The budgets of the joint programmes will reflect a clear division of roles based on the organizational mandates and comparative advantage of each organization. This would generally imply that UNCDF would manage funding for capital investments and international technical advisory support, while UNDP would manage funding for national capacity-building and certain policy-related advisory activities. The UNCDF part of a joint programme budget would be funded out of UNCDF regular resources (as per the UNCDF investment plan summarized above) and other resources mobilized from development partners. The UNDP part would be funded out of UNDP regular resources (allocated to countries as TRAC-1 and TRAC-2) and other resources. UNDP and UNCDF would jointly seek to mobilize other resources from development partners to support their joint programmes in local development and inclusive finance in the LDCs.

26. Based on the country-level funding model, the overall programming and funding model for UNCDF would be as follows:

(a) Donor Member States would provide at least $25 million per year to UNCDF in regular resources contributions, preferably through a multi-year funding commitment. About 80 per cent of those resources would be used to support capital investment and technical support activities at country level in the LDCs, the remainder being used to support the UNCDF regional support infrastructure and research and knowledge-sharing activities. A special meeting with donor Member States will be arranged before the first regular session 2008 of the Executive Board to consult on the possibility for Member States in a position to do so to provide an additional $10 million annually for UNCDF to reach the required $25 million in annual regular resources contributions.

(b) In terms of other resources, UNCDF anticipates having a ratio of regular against other resources contributions of 1:1 at a minimum, resulting in an expected level of at least $25 million per year in other resources contributions. This would bring the projected level of total contributions to UNCDF to $50 million per year.

(c) UNDP country offices would continue to provide parallel regular resources funding of at least $12.5 million per year to UNDP and UNCDF joint programmes. That amount is consistent with current UNDP target for resource assignment from the regular resources (TRAC) allocations to joint programmes with UNCDF and would support various policy advice and capacity-building activities. In addition, approximately $37.5 million per year would be mobilized in other resources to be managed by UNDP country offices or in parallel resources from development partners to support the joint programmes.

(d) Overall, it is anticipated that UNDP and UNCDF would have a resource envelope of on average $100 million per year in regular and other resources to support UNDP and UNCDF joint work in local development and inclusive finance in the LDCs. Out of this total amount about $ 50 million per year would be managed by UNCDF.

26. The above programming and funding model would have the following benefits:

(a) *Increasing average UNCDF investments per LDC.* On average, the UNCDF investment would be about $1 million per LDC, an increase of approximately 18 per cent against the 2006 level.

(b) *Enhancing geographic coverage of the LDCs.* UNCDF would be able to invest in 45 LDCs by 2011, an increase of 61 per cent compared to the 2006 level of 28 LDCs.

(c) *Providing stable, predictable, multi-year funding* for UNDP/UNCDF joint programmes in the LDCs for the period of the strategic plan.

(d) *Increasing efficiency and effectiveness of UNDP/UNCDF joint programmes.* Stable, predictable, funding at the level indicated above would assure that UNDP and UNCDF could properly plan and support their joint programmes in the LDCs.

(e) *More equitable burden-sharing* among more donor Member States for the activities of UNCDF in the LDCs.

(f) Increasing coherence, harmonization, and rationalization between UNDP and UNCDF in the context of United Nations reform. The programming and funding structure proposed would enable UNDP and UNCDF to design joint programmes using the comparative advantages and expertise of both organizations, and ensure that the unique investment mandate and institutional character of UNCDF are respected and utilized appropriately.

IV. The UNCDF cost-recovery policy

27. The UNCDF cost-recovery policy has three overall objectives, namely:

(a) To align with UNDP cost-recovery policy and harmonize with the UNDG cost principles, thereby responding to the request for simplification and harmonization;

(b) To move towards a more equitable burden-sharing of management costs from regular and extra budgetary resources; and

(c) To ensure effective allocation of extrabudgetary resources to improve programme delivery.

28. In document JIU/REP/3, the Joint Inspection Unit encouraged the United Nations system to harmonize its approaches to indirect cost recovery. UNCDF has endeavored to harmonize cost-recovery principles and definitions with UNDP as part of the operational alignment process. The common methodology to be adopted by UNCDF for calculating the cost-recovery rate (see CEB/2006/HLCM/20) will be based, accordingly, on the classification of support costs into 'direct', 'indirect' and 'variable indirect'. For third-party cost-sharing and trust funds, UNCDF will use the general management support rate of 7 per cent on each contribution, as approved by the Executive Board at its annual session 2007.

29. In the period 2008-2011, UNCDF foresees generating cost-recovery income from two principal sources:[1]

(a) Donor contributions to other resources. UNCDF will apply 7 per cent as general management support for cost-sharing and trust fund resources entrusted to it.

(b) Technical advisory services to United Nations organizations and other institutions. These reimbursable services will be charged at full cost.

30. The extrabudgetary income thus generated will help UNCDF to strengthen its capacity at country, regional and headquarters levels so as to ensure successful delivery on the priorities set forth in the strategic plan, 2008-2011. More specifically, the extrabudgetary income will be used to fund, in order or importance: (a) country-level UNCDF staff and their operating expenditures; (b) additional UNCDF staff in the three regional service centres in which UNCDF currently has a presence; and (c) additional management support at the headquarters level and resources for the reimbursable services obtained from UNDP.

31. Overall, UNCDF will ensure that the regular support and project budgets do not subsidize support to programmes funded from other resources and that all costs are fully covered through a cost-recovery mechanism. Furthermore, in the context of the biennial support budget, 2008-2009, UNCDF is determined to establish and implement, in tandem with UNDP, a cost-recovery process that permits adequate management of extrabudgetary resources with a view to progressively realigning funding structures in order to achieve proportional cost-sharing between regular and extra-budgetary resources and to respond to cost containment and proportionality issues.

[1] UNCDF provides implementation support to a few UNDP projects, all of which are scheduled to end by December 2008.

Annex
Letter of agreement between the Administrator, UNDP, and the Executive Director, a.i., UNCDF

31 October 2007

Dear Colleagues,

The United Nations Capital Development Fund (UNCDF) and UNDP have been close partners since UNCDF was established in 1966 as an independent United Nations organization focused on reducing poverty by making investments in the least developed countries (LDCs).

Over the last year, UNDP and UNCDF have been exploring ways to bring the two organizations even closer together and to integrate the contributions of UNCDF into the UNDP strategic plan, 2008-2011. The aim of this closer partnership is to (i) significantly improve the efficiency and effectiveness of both organizations, (ii) enhance our joint development impact in the LDCs and other developing countries, and (iii) achieve greater coherence, simplicity and harmonization within the United Nations system. We are now pleased to share with you an overview of the significant progress we have made towards strengthening the strategic relationship between the two organizations. We will also provide some initial guidance on how our two organizations will work even more closely together during the period of the strategic plan, especially at the regional and country levels.

The key elements of the closer strategic relationship between UNDP and UNCDF that have been agreed to date are as follows:

- Within the framework of the strategic plan, 2008-2011, UNDP and UNCDF have integrated their strategic planning and overall results frameworks.
- UNDP and UNCDF have formulated development outcomes and outcome indicators in the strategic plan that will permit the two organizations to be more effective in achieving results, while relying upon the comparative advantages and added value of each organization.
- At the country level, UNCDF contributions in its two practice areas (local development and inclusive finance) will be integrated into the United Nations programming frameworks, such as the United Nations Development Assistance Framework (UNDAF) and the UNDP country programme action plan (CPAP).
- Joint programmes will be the primary modality for UNDP and UNCDF to work together at the country level and will form the basis for joint resource mobilization activities.
- UNDP and UNCDF will duly recognize and acknowledge their respective contributions towards achieving their joint development results.

To: All Regional Bureau Directors
All United Nations Resident Coordinators
All UNDP Resident Representatives
All Heads of Regional Service Centers
All Country Directors

UNCDF and the UNDP strategic plan

UNDP and UNCDF have worked closely together to integrate the contributions from UNCDF's two practice areas into the strategic plan. An even stronger collaboration between UNDP and UNCDF is foreseen, taking full advantage of the unique investment mandate of UNCDF and its focus on the LDCs. The strategic plan reflects the contributions of UNCDF in the poverty reduction, democratic governance, and crisis prevention and recovery focus areas. Annex 1 sets forth the development outcomes in the current version of the strategic plan that specifically relate to UNCDF practice areas. In addition, UNDP and UNCDF are discussing appropriate outcome indicators related to the development outcomes in the poverty reduction area. These outcome indicators in their current draft form are set forth in annex 2 and are being developed to measure joint results for UNDP/UNCDF joint programmes within the framework of the strategic plan.

Joint programming and joint programmes at the country level

UNDP and UNCDF have agreed that in the LDCs in which UNCDF is operational its contributions will be integrated into the United Nations programming frameworks agreed upon with national governments, such as the common country assessment, the UNDAF and the UNDP CPAP frameworks. Further, the primary modality for working together towards achieving the results outlined in the UNDAF results matrix will be joint programmes.

The joint programme modality will require our two organizations to modify the way we collaborate so that our programming activities conform to the joint programme policies and procedures as described in the 2003 United Nations Development Group (UNDG) guidance note on joint programming. [2] For the purposes of the guidance note and joint programmes generally, UNCDF is a 'United Nations organization' in its own right with the same status as any other United Nations organization with respect to joint programme issues.

The guidance note sets forth different funding modalities for financing and managing joint programmes[3] and also provides additional details regarding operational, monitoring and evaluation issues. As the operational experience with joint programmes is relatively recent, it is important that best practices and lessons learned to date are used to inform specific country situations. UNCDF has gained considerable recent experience with the various funding modalities set forth in the guidance note. As a result, the Executive Secretary, a.i., of UNCDF will be the UNCDF focal point for sharing best practices and lessons learned as UNDP and UNCDF gain more experience and expertise with joint programmes.

In this context, please note that UNDG has established a United Nations joint programme database. It is important that all joint programmes between UNDP and UNCDF are entered into this database to enable proper reporting for both the current UNDP 'balanced scorecard' and reports associated with the strategic plan.[4]

Joint resource mobilization

For all development results on which UNDP and UNCDF collaborate in a joint programme structure, we have agreed that resource mobilization at the country level should be

[2] English version: http://altair.undp.org/documents/3642-Finalized_Guidance_Note_on_Joint_Programming__complete_.doc
French version: http://altair.undp.org/documents/3642-Finalized_Guidance_Note_on_Joint_Programming__complete_-1.doc

[3] The choice of modality depends on indicators such as the comparative advantage of each organization for managing the programmatic work. Supplemental information regarding joint programmes can be found at http://www.undg.org/index.cfm?P=237.

[4] This database is located at http://www.unctdatabase.undg.org/index.cfm?module=JointProgramme&CountryID.

approached as a task to be performed jointly, rather than for the benefit of either organization. Resident coordinators and senior UNDP and UNCDF staff should assume primary leadership for mobilizing resources for joint programmes between UNDP and UNCDF at the country level and should work closely with UNCDF country and regional staff in this regard. UNCDF will continue its practice of reinvesting most of the extrabudgetary income derived from joint resource mobilization into strengthening UNCDF country-level capacity. More specific guidance on the subject of joint resource mobilization in the context of joint programmes will be forthcoming.

For joint programmes involving co-financing from development partners, the pass-through funding modality will be the preferred structure for joint programmes between UNDP and UNCDF. While the other funding modalities may be utilized under appropriate circumstances, the pass-through funding modality will generally assure that in co-financing situations (i) the unique investment mandate of UNCDF is clearly delineated and protected; (ii) the total costs to governments and development partners are kept to a minimum; and (iii) UNDP and UNCDF funding can be leveraged with development partner funding in a simple, efficient, consistent manner.

UNDP and UNCDF will use a joint programme document to set forth the respective roles and responsibilities of each organization, along with programme objectives, strategy, results, and a budget, among other items. The budget should reflect the clear articulation of roles and responsibilities based on organizational mandates, expertise and comparative advantage. This would imply that UNCDF would manage and disburse funding for all capital investments and international technical advisory support, while UNDP would manage and disburse funding for national capacity building and certain policy related advisory activities. When using the pass-through funding modality for development partner co-financing, an inter-agency memorandum of understanding will then be used to designate the administrative agent and a letter of agreement will be executed by the administrative agent and development partners who may be interested in co-financing the joint programme, in accordance with UNDG joint programme guidelines.

Acknowledging the contributions of UNDP and UNCDF

UNDP is committed to promoting and recognizing the unique contributions of UNCDF as an important strategic partner for UNDP. To this end, UNDP and UNCDF staff in regional service centres and country offices should each recognize and acknowledge the important contributions made by each organization to our joint activities. In particular, the following measures should be implemented in country offices and regional service centres where UNDP and UNCDF are working closely together on Joint Programmes:

(a) Where UNCDF has a physical presence in a regional service centre or a country office, signs, building directories, and other public media should indicate that UNCDF is present as a distinct United Nations organization in the same way that other United Nations organizations are indicated.
(b) Communications materials describing joint programme activities between UNDP and UNCDF (including brochures, press releases, annual and other reports, general publications, websites, etc.) should specifically identify both UNDP and UNCDF as partners in these programmes. In addition, public information officers in regional service centres and country offices should regularly extend their support to joint programme activities involving UNDP and UNCDF.
(c) UNCDF staff in regional service centres and country offices will be entitled to have business cards, stationary, e-mail signatures and other communications materials that specifically identify the staff as working for UNCDF, using the UNCDF logo and other marks as appropriate.

(d) UNCDF personnel should be viewed as important members of regional service centre and country office teams, and they should be integrated into the management, operations and work flow of regional service centres and country offices where they are present to the greatest extent feasible consistent with their roles, responsibilities, and capacities.

Conclusion

UNDP and UNCDF will be working more closely together as partners in the future. The integration of UNCDF contributions into the UNDP strategic plan, our continuing work together through joint programmes, and an increasingly systematic approach to joint resource mobilization for joint programmes, are important steps towards securing a solid, smoothly functioning strategic partnership between the two organizations.

This guidance note benefits from much work within UNCDF, in particular under the leadership of Richard Weingarten. While Richard recently left UNCDF as Executive Secretary we would like to acknowledge his efforts to bring UNDP and UNCDF in closer partnership.

This guidance should be put into effect as promptly as is practicable. At the same time, we recognize that this guidance is necessarily an initial statement on these matters, and we expect to update it periodically based on experience and lessons learned. Accordingly, we encourage your contributions as we move forward to develop a closer strategic relationship between UNDP and UNCDF.

Yours sincerely,

Ad Melkert
Associate Administrator

Henriette Keijzers
Executive Secretary a.i.

cc: Director of Bureau of Management
Director of Bureau for Development Policy
Director of Bureau for Resources and Strategic Partnerships
Director of Office of Legal and Procurement Support